



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLEMING COUNTY CLERK**

Calendar Year 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Homer Hurst, Jr., Fleming County Judge/Executive
Honorable Marilyn Spencer, Fleming County Clerk
Members of the Fleming County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Fleming County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Stephens & Lawson, P.S.C., evaluated the Fleming County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLEMING COUNTY CLERK**

Calendar Year 1999

EXECUTIVE SUMMARY

FLEMING COUNTY MARILYN SPENCER, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT

The Fleming County Clerk's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The Clerk's office received operating revenue from various sources, including a state grant of \$12,462 for microfilming records. The Clerk's office generated excess fees of \$107,038, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the County Fiscal Court. The Clerk has already paid \$96,256 in excess fees, leaving a balance of \$10,782 which was paid on August 1, 2000.

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To the People of Kentucky
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Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Fleming County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated July 24, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
July 24, 2000

FLEMING COUNTY
MARILYN SPENCER, COUNTY CLERK
~~STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES~~

Calendar Year 1999

RECEIPTS

State Grants		\$	12,462
State Fees for Services			6,569
Fiscal Court			3,837
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	375,890	
Usage Tax		1,579,551	
Tangible Personal Property Tax		752,802	
Licenses -			
Fish and Game		16,228	
Marriage		4,485	
Deed Transfer Tax		25,087	
Delinquent Tax		<u>32,377</u>	2,786,420
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	11,311	
Real Estate Mortgages		18,197	
Chattel Mortgages		53,956	
Powers of Attorney		590	
All Other Recordings		11,501	
Charges for Other Services -			
Copywork		<u>9,397</u>	104,952
Other:			
Miscellaneous	\$	4,851	
Refunds		<u>23,216</u>	28,067
Interest Earned			<u>3,635</u>
TOTAL RECEIPTS (CARRIED FORWARD)		\$	2,945,942

The accompanying notes are an integral part of the financial statement

FLEMING COUNTY
MARILYN SPENCER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

TOTAL RECEIPTS (BROUGHT FORWARD) \$ 2,945,942

~~DISBURSEMENTS~~

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$ 269,925	
Usage Tax	1,519,176	
Tangible Personal Property Tax	290,728	

Licenses -

Fish & Game	15,937	
Delinquent Tax	4,596	
Legal Process Tax	14,532	
Marriage License	<u>1,300</u>	\$ 2,116,194

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 84,973	
Delinquent Tax	5,983	
Deed Transfer Tax	<u>23,832</u>	114,788

Payments to Other Districts:

Tangible Personal Property Tax	\$ 363,117	
Delinquent Tax	<u>12,994</u>	376,111

Payments to Sheriff 988

Payments to County Attorney 5,091

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies Salaries	\$ 73,084	
Part-Time Deputies Salaries	11,979	
Training	688	

Contracted Services -

Advertising	100	
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Materials and Supplies -

Office Supplies	14,557	
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The accompanying notes are an integral part of the financial statement

FLEMING COUNTY
MARILYN SPENCER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

~~DISBURSEMENTS~~ (Continued)

Other Charges -			
Conventions & Travel	\$	2,305	
Dues		400	
Miscellaneous		4,771	
Postage		3,485	
Refunds		28,163	
Capital Outlay -			
Microfilming Grant Expenditures		12,462	
New Equipment and Repairs		<u>12,310</u>	\$ <u>164,304</u>
Total Disbursements			\$ <u>2,777,476</u>
Net Receipts			\$ 168,466
Less: Statutory Maximum			<u>57,828</u>
Excess Fees			\$ 110,638
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 1999			\$ 107,038
Payment to County Treasurer - January 18, 2000	\$	96,256	
- August 2, 2000		<u>10,782</u>	<u>107,038</u>
BALANCE DUE AT COMPLETION OF AUDIT			<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statement

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employee Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 % of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28%.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

NOTE 4 - GRANT

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$21,439. The unexpended grant balance on January 1, 1999 was \$10,527. Additional grant funds totaling \$2,185 and interest of \$438 were received in 1999 and \$12,462 was expended during calendar year 1999 with the remaining balance of \$688 being transferred to the 1999 fee account. The unexpended grant balance is \$0 as of December 31, 1999.

NOTE 5 - LEASES

Commitments to the following lease agreements as of December 31, 1999 are:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 1999</u>
Copier	\$143	60 months	March 2003	\$5,577
Copier	\$368	60 months	July 2003	\$15,824

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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Homer Hurst, County Judge/Executive
Honorable Marilyn Spencer, Fleming County Clerk
Members of the Fleming County Fiscal Court

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of the Financial
Statement Performed in Accordance With Government Auditing Standards

We have audited the Fleming County Clerk as of December 31, 1999, and issued our report thereon dated July 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fleming County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fleming County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
July 24, 2000